

PUBLIC REVIEW DRAFT

Regulatory Impact Review/Initial Regulatory Flexibility Analysis for a Regulatory Amendment to Modify Harvest Restrictions in Individual Fishing Quota and Western Alaska Community Development Quota Fisheries for Pacific Halibut in Areas 4C and 4D of the Bering Sea

Date: November 8, 2004

Lead Agency: National Marine Fisheries Service
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Responsible Official: Jim Balsiger, Alaska Regional Administrator

Abstract: This document is a Regulatory Impact Review/Initial Regulatory Flexibility Analysis (RIR/IRFA) for an action to amend halibut Individual Fishing Quota (IFQ) and Community Development Quota (CDQ) regulations which define regulatory fishing areas for these programs under the authority of both the National Marine Fisheries Service and International Pacific Halibut Commission. The proposed action would allow holders of Area 4C halibut IFQ and CDQ to harvest such halibut IFQ/CDQ in Area 4D. Currently, halibut IFQ and CDQ allocated in a particular area may only be harvested in that same area, in accordance with biomass-based quotas, except that halibut CDQ (only) allocated in Area 4D may be harvested in Area 4E. Alternative 2 would allow additional fishing opportunities to attain the assigned Area 4C IFQ and CDQ quotas for two Pribilof Island communities (St. Paul and St. George) in Area 4C, which are managed by two CDQ groups. A complementary action by the IPHC is required.

RIR: None of the proposed actions are expected to have the potential to result in a “significant action” as defined in Executive Order 12866.

IRFA: The proposed action is not expected to result in adverse impacts on directly regulated small entities.

NEPA: Consistent with NAO 216-6, the proposed action may be categorically excluded from further NEPA analysis because it has no effect individually or cumulatively on the human environment.

Comment Due Date: Public comments will be taken on this draft analysis through the December 2004 Council meeting. An additional comment period will be announced by NMFS in the proposed rule.

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Regulatory Impact Review

1.0 Introduction

This document contains the Regulatory Impact Review/Initial Regulatory Flexibility Analysis (RIR/IRFA) for a proposed amendment to regulations that govern management of Pacific halibut *Stenolepis hippoglossus* Individual Fishing Quota (IFQ) and Community Development Quota (CDQ) fisheries in and off North Pacific Halibut Convention waters of Alaska. This RIR is required under Presidential Executive Order (E.O.) 12866 (58 FR 51735; October 4, 1993). The requirements for all regulatory actions specified in E.O. 12866 are summarized in the following statement from the order:

In deciding whether and how to regulate, agencies should assess all costs and benefits of available regulatory alternatives, including the alternative of not regulating. Costs and benefits shall be understood to include both quantifiable measures (to the fullest extent that these can be usefully estimated) and qualitative measures of costs and benefits that are difficult to quantify, but nonetheless essential to consider. Further, in choosing among alternative regulatory approaches agencies should select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity), unless a statute requires another regulatory approach.

E.O. 12866 requires that the Office of Management and Budget review proposed regulatory programs that are considered to be “significant.” A “significant regulatory action” is one that is likely to:

- Have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, local or tribal governments or communities;
- Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
- Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or
- Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive Order.

1.1 Problem in the Fishery

The halibut IFQ and CDQ fisheries began in 1995. Participants have recently found that certain regulatory restrictions may impede the total harvest of their annual allocations and the further development of their local community-based halibut fisheries. One impediment to harvesting the respective allocations is the regulatory prohibition against harvesting halibut IFQ or CDQ in a regulatory area other than the area for which the quota is allocated.

Central Bering Sea Fishermen’s Association (CBSFA) representing St. Paul and Aleutian Pribilof Island Community Development Association (APICDA) representing St. George only have separate halibut CDQ allocations for Area 4C. Those allocations were intended to encourage the development of local fisheries, but limits the development of near-shore fisheries because small vessels can not safely fish far from those two communities. Federal regulations specify that the halibut CDQ is allocated to communities within, or in close proximity to, the regulatory area, thus encouraging the development of local fisheries. Efforts to utilize halibut for the direct benefit of local residents through small boat fisheries was encouraged through adjustments recommended by the State of Alaska to the halibut allocations. In addition to the performance and objective factors used in the evaluation criteria, halibut allocations are based partially on the proximity

of the groups to those fisheries. Residents of both Pribilof Islands (along with non-residents) also hold Area 4C halibut IFQ.

According to Gilroy and Kong (2003), the total halibut IFQ catch was 59.6 M lb, 96 percent of the catch limit was taken. In Areas 2C, 3A, 3B, and 4A, harvesters took 97 percent of the respective quotas. In Area 4B, harvesters took 96 percent of the quota. In the combined 4D/E area, harvesters took 96 percent of the combined quota. However, harvest rates were much lower in Area 4C. Since 1995, Area 4C has ranged between 79 and 88 percent of the quota, except in 1997 when it was at 95 percent below the 1.1 M lb quota. Only about 60 percent was taken in 2002. Area 4C harvesters landed just 42 percent of their IFQ halibut allocation, compared to a statewide average of 97 percent, in 2003. The CDQ fishery also was unable to attain its allocation. Only 45 percent of Area 4C CDQ halibut was landed. Loss of potential income was substantial.

In December 2003, CBSFA requested that the Council initiate a regulatory amendment to allow Area 4C fishermen to also harvest halibut from Area 4D and count it against their Area 4C IFQs. The Council adopted the proposed action for analysis. Additional alternatives to review and revise the entire Area 4CDE catch sharing plan were discussed by the Council, its Scientific and Statistical Committee, Advisory Panel, the Alaska Native Halibut Subsistence Working Group, and the public, but was ultimately rejected by the Council in June 2004 in favor of more expeditiously addressing the local fishing needs of Area 4C IFQ and CDQ fishermen. During initial review in October 2004, the Council rejected an option to allow Area 4D fishermen to harvest Area 4D IFQ and CDQ in Area 4C because it found it unlikely that Area 4D fishermen would relocate fishing effort to Area 4C, which has much lower fishing success. It also found that the halibut population in Area 4C may not be able to withstand additional fishing pressure from Area 4D fishermen.

The proposed action is intended to allow additional harvesting opportunities for the small boat halibut IFQ and CDQ fisheries in Area 4C. It would require approval of revisions to the Area 4 catch sharing plan (CSP) and NMFS regulations by the Secretary of Commerce and complementary action by the International Pacific Halibut Commission (IPHC) in January 2005. Representatives from four groups representing St. Paul fishermen (CBSFA, TDX Corporation, Tribal Government of St. Paul, and Aleutian Pribilof Island Association) and two St. Paul fishermen testified on the economic emergency facing local fishermen and the speed with which they are requesting the regulatory changes become effective.

Typically, a change to the CSP and NMFS regulations would need to be implemented by the Secretary prior to IPHC action to revise its regulations. The Council will select a preferred alternative during final action in December 2004. Since the IPHC meets only once each year to consider revisions to its regulations and Secretarial action cannot be prejudged, the Council may elect to request that the IPHC revise its regulations at its January 2005 meeting on the condition of Secretarial approval and that no legal or implementation problems are foreseen. If the Secretary disapproves the preferred alternative, then the condition of Secretarial approval will not be satisfied and the revised IPHC regulation would have no effect.

In June 2004, the Council adopted the following problem statement.

During the 2003 fishing season, Area 4C fishermen landed just 42 percent of their IFQ halibut allocation compared to a statewide average of 97 percent. Only 45 percent of Area 4C CDQ halibut was landed. Loss of potential income was significant. This proposed change is intended to allow additional harvesting opportunities for the small boat halibut CDQ fishery in St. Paul and St. George to travel to Area 4D to harvest Area 4C quota.

1.2 Management Authority

Management of the Alaska halibut fishery is based on an international agreement between Canada and the United States and is given effect by the Northern Pacific Halibut Act of 1982. The Act provides that, for the

halibut fishery off Alaska, the North Pacific Fishery Management Council (Council) may develop regulations, including limited access regulations, to govern the fishery, provided that the Council's actions are in addition to, and not in conflict with, regulations adopted by the International Pacific Halibut Commission (IPHC). Further, any Council action must be approved and implemented by the U.S. Secretary of Commerce (Secretary).

Regulations implementing the commercial Individual Fishing Quota (IFQ) fishery for Pacific halibut may be found at Part 679: Fisheries of the Exclusive Economic Zone Off Alaska Subpart D, Sections 679.41 through 679.45. Regulations implementing the Western Alaska Community Development Quota (CDQ) fishery may be found at Part 679, Subpart C: 679.30, 679.31(b), 679.32(f), and 679.1(e), 679.5(n), 679.5(l), and 679.7(d).

1.3 Management Background

IPHC Area 4

Up until 1982, halibut in the Bering Sea/Aleutian Islands were managed in one large area - Area 4. In 1983, the IPHC split it up into four subareas: Areas 4A, 4B, 4C, and 4D, and reduced the size of the Halibut Closed Area (Figure 1.1). The split into four subareas occurred because of "... the staff wanting to achieve a distribution of catch that more nearly corresponds to the productivity of the area" (IPHC 1983). Williams (pers. commun.) reports that a majority of the Area 4 harvest was harvested from one small area in the eastern Aleutian Islands around Dutch Harbor at the time.

The original (1983) Area 4C was quite large, essentially covering what is now Areas 4C and 4D. In 1986, IPHC revised Area 4C nearly identical to its current configuration to facilitate special fishing privileges granted to the local residents of the Pribilof Islands by the US Government via the authority of the Northern Pacific

Halibut Act of 1982 (Sadorus and St-Pierre 1994). The Act allowed the government to allocate fishing privileges to coastal villages in the Bering Sea north of 56° latitude (McCaughan and Hoag 1992 [Tech Rep 26]). Up to 1995 when the IFQ program was initially implemented, the IPHC set fishing regulations for Area 4C using very short fishing periods and fishing period limits which made it difficult for nonresident vessels to fish in Area 4C, to accommodate the original intent of the US government.

Halibut IFQ program

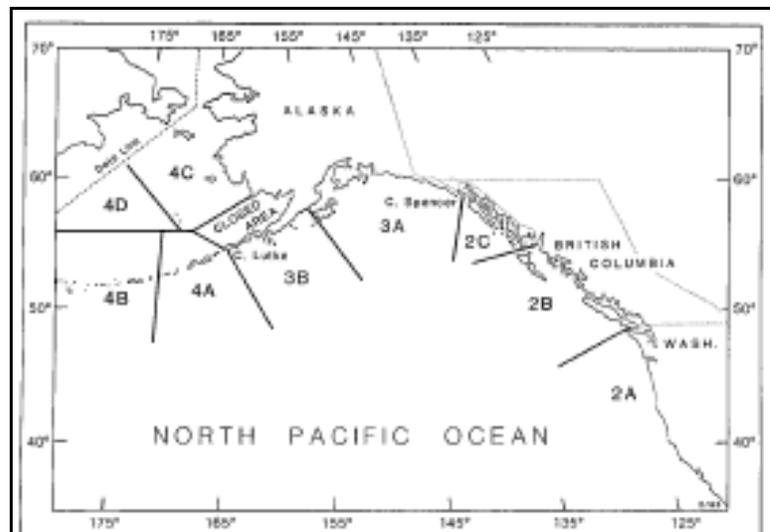


Figure 1.1. IPHC Area 4 boundaries in 1983.

- Area 4A all waters west of Area 3B and of the Bering Sea closed area, south of 56°20' N. latitude, and east of 172° W. longitude
- Area 4B all waters west of Area 4A, and south of 56°20' N. latitude
- Area 4C all waters north of the closed area, and of Area 4A, and east of a line extending northwest from a point at 56°20' N. and 170° 00' W.
- Area 4D all waters north of Areas 4A and 4B, and west of Area 4C.

The halibut IFQ fishery has been described by Pautzke and Oliver (1997), Hartley and Fina (2001a, b), and the annual *Report to the Fleet* (NMFS 2003).

In December 1991, the Council adopted a limited access system for managing the halibut fishery in and off Alaska under authority of the Halibut Act. This limited access system included an Individual Fishing Quota (IFQ) program for Areas 2C through 4D, and the CDQ program for Areas 4B through 4E (Figure 1.2). These programs were designed to allocate specific harvesting privileges among U.S. fishermen and eligible western Alaska communities to resolve management and conservation problems associated with “open access” fishery management, and to promote the development of fishery-based economic opportunities in western Alaska. The IFQ and CDQ programs initially were implemented by regulations published in the *Federal Register* on November 9, 1993 (58 FR 59375). Fishing for halibut under these two programs began March 15, 1995.

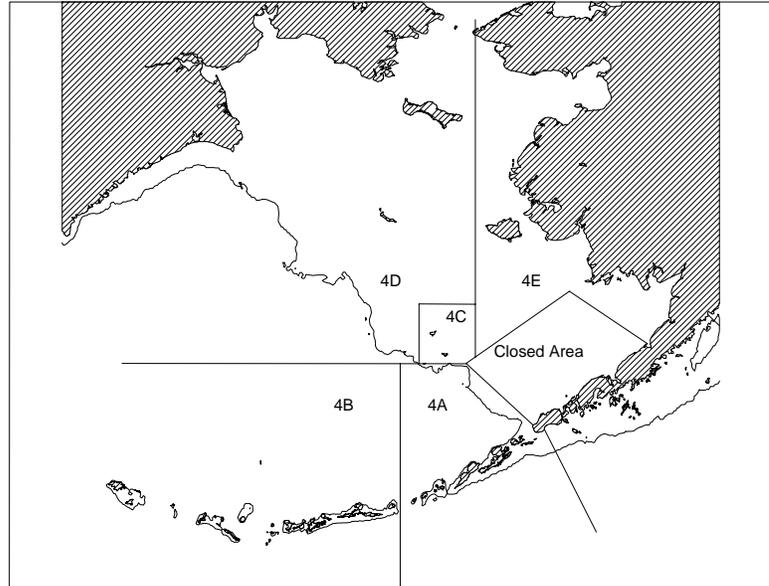


Figure 1.2 IPHC Regulatory Area 4

The IFQ approach was chosen to provide fishermen with the authority to decide how much and what type of investment they wished to make to harvest the resource. By guaranteeing a certain amount of catch at the beginning of the season, and by extending the season over a period of eight months, those who held the IFQ could determine where and when to fish, how much gear to deploy, and how much overall investment in harvesting they would make.

Western Alaska Community Development Quota Program

The Western Alaska Community Development Quota (CDQ) Program was created by the Council in 1992 as part of the inshore/offshore allocations of pollock in the Bering Sea and Aleutian Islands (BSAI). Upon its implementation in 1995, the halibut IFQ program officially extended the CDQ program to halibut. Western Alaskan communities were allocated between 20 and 100 percent of the halibut in Bering Sea management Areas 4B through 4E (Table 1.1). The halibut CDQ reserves are divided among eligible CDQ communities in accordance with Community Development Plans (CDP) submitted by CDQ groups, reviewed by the State of Alaska, and approved by NMFS.

Table 1.1. Annual apportionment of the area 4 catch limit between the IFQ and CDQ sectors.

Halibut subarea	IFQ sector	CDQ sector
4A	100%	0%
4B	80%	20%
4C	50%	50%
4D	70%	30%
4E	0	100%

The CDQ Program is jointly managed by NMFS and the State of Alaska, based on a program design developed by the Council and implemented by NMFS in 1992. Currently, 65 communities are eligible to participate in the CDQ Program (Appendix 1), representing about 27,000 western Alaska residents. These

communities are located within 50 nautical miles of the Bering Sea coast or on an island in the Bering Sea and are predominantly populated by Alaska Natives (Appendix 2). The eligible communities have formed six non-profit corporations (CDQ groups) to manage and administer allocations, investments, and economic development projects (Table 1.2).

Table 1.2 Community Development Quota Groups and number of associated communities

Aleutian Pribilof Island Community Development Association	APICDA	6 communities
Bristol Bay Economic Development Corporation	BBEDC	17 communities
Central Bering Sea Fishermen’s Association	CBSFA	1 community
Coastal Villages Region Fund	CVRF	20 communities
Norton Sound Economic Development Corporation	NSEDC	15 communities
<u>Yukon Delta Fisheries Development Association</u>	<u>YDFDA</u>	<u>6 communities</u>
Total CDQ communities		65

The CDQ Program was established to provide fishermen who reside in western Alaska communities a fair and reasonable opportunity to participate in the Bering Sea/Aleutian Islands groundfish fisheries, to expand their participation in salmon, herring, and other near shore fisheries, and to help alleviate the growing social economic crisis within these communities. Through the creation and implementation of CDPs, western Alaska communities will be able to diversify their local economies, provide community residents with new opportunities to obtain stable, long-term employment, and participate in the Bering Sea/Aleutian Islands fisheries which have been foreclosed to them because of the high capital investment needed to enter the fishery. The goals and purpose of the CDQ Program are to allocate CDQ to eligible western Alaska communities to provide the means for starting or supporting commercial fisheries business activities that will result in an ongoing, regionally-based, fisheries-related economy.

Since 1992, the CDQ groups have accumulated assets worth approximately \$129 million, including ownership of small local processing plants, catcher vessels, and catcher/processors that participate in the groundfish, crab, salmon, and halibut fisheries. The CDQ Program has surpassed the expectations of many people in accomplishing its goals, and the CDQ groups have gained valuable experience in managing their fisheries and related investments. The groups have used their CDQ allocations to develop local fisheries, invest in a wide range of fishing businesses outside the communities, and provide residents with education, training, and job opportunities in the fishing industry.

The Council and NMFS allocate a portion of the BSAI halibut, as well as groundfish, prohibited species, and crab limits to these groups. The communities must use the proceeds derived from the direct or indirect harvest of CDQ allocations to start or support commercial fishery activities that will result in ongoing, regionally based commercial fishery or related businesses. Halibut royalties for all CDQ groups totaled 1% of all CDQ royalties in 2002 (Figure 1.3) (from DCED 2003). Total halibut royalties totaled approximately \$464,000 (DCED 2003). More detailed information about the CDQ program and associated halibut revenues to communities may be found in DCED (2003) and NPFMC (2004).

Allocation and Catch Sharing

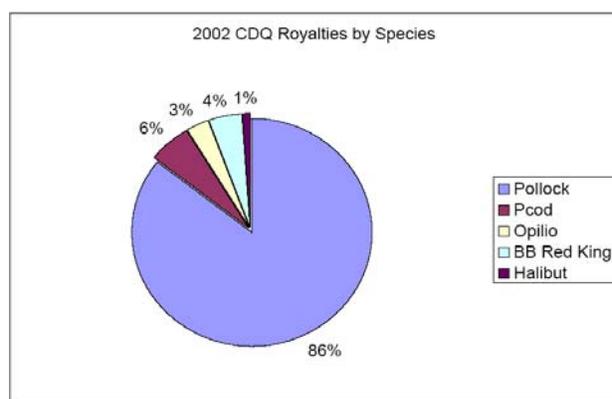


Figure 1.3. 2002 CDQ royalties by species. (Source: DCED 2003)

Clark and Hare (2003) described a major change in the 2003 assessment for Pacific halibut, which was adopted by the IPHC for 2004. Additional changes to the assessment, with resultant changes in biomass estimates and the “constant exploitation yield” (CEY or “quota” in Council parlance) are anticipated over the next several years. The adoption of a new set of length-specific commercial selectivities produced much lower estimates of exploitable biomass than the fixed age-specific selectivities previously used in the models. Previously, the IPHC calculated the quotas by applying the established 20 percent harvest rate to exploitable biomass. The IPHC reported that the 20 percent rate is no longer appropriate since it changed the selectivities. A new set of simulations with the new, lower selectivities can be expected to lead to a higher target harvest rate, but that work has not yet been done. For the 2003 quota calculations, the IPHC adopted a provisional target harvest rate of 25 percent for Areas 2 and 3. The IPHC applied the 20 percent rate for Area 4 because of uncertainty about the long-term productivity of the Bering Sea/Aleutians region relative to the Gulf of Alaska. The resulting estimates of quota (Table 1.3) are considerably higher than in 2004 in Areas 2A, 2B, and especially 2C. The quota is a little lower in Area 3A. However, the quotas are much lower (half or less) in Areas 3B and 4 because of the new, lowered selectivities, and the continued use of a 20 percent harvest rate in Area 4.

Table 1.3. Removals in 2003 and estimates of CEY in 2004 (M net lb). (Source: IPHC)

4CDE 2003 setline CEY at 20% ^{1,2}	10.82
2003 catch limit	4.45
2003 Commercial landings ³	3.25
Other removals	
Sport Catch	0.00
Legal Sized bycatch	2.56
Personal Use	0.00
Legal Size Wastage	0.01
Total Other removals	2.57
Excluding sport catch	--
Total removals	5.82
2004 Exploitable biomass ⁴	30.00
2004 total CEY at 20%	6.00
2004 Setline CEY ⁵	3.40

Notes:

1. Estimates of 2003 setline CEY (first row) are the figures reported in the 2002 assessment.
2. In Area 2A the setline CEY and catch limit include sport catch and treaty subsistence catch.
3. Commercial landings include IPHC survey and other research catches, which can result in small overages.
4. 2004 exploitable biomass is computed with a new set of length-specific selectivities that are lower than the age-specific selectivities used in the 1999-2002 assessments, so these figures are not comparable with last year's exploitable biomass estimates.

The IPHC assesses the halibut in Areas 4C, 4D, and 4E as a single stock unit. Because it cannot do an analytical assessment for Area 4C/D/E, the IPHC continues to use survey based estimates scaled to adjoining areas for the combined area (Clark and Hare 2003). In the past, the IPHC scaled the combined area to Area 3A because that was the nearest area with an analytical estimate. Since the development of an analytical estimate for Area 4A in 2003, the IPHC now estimates the Area 4C/D/E biomass as 142 percent of the Area 4A biomass. The combined area quota is subsequently broken out by subarea according to the Council's Catch Sharing Plan (CSP).

The CSP for Area 4 originally was developed by the Council to apportion the halibut quota for Area 4 among its five subareas as necessary to carry out the socioeconomic objectives of the IFQ and CDQ programs. The Area 4 CSP was published in the *Federal Register* on March 20, 1996 (61 FR 11337), and implemented by the IPHC that same year.

NMFS subsequently modified the Area 4 CSP to remove Areas 4A and 4B from the CSP on March 17, 1998 (63 FR 13000), based on Council and IPHC recommendations. This change was to allow the IPHC to set quotas for these two areas and a combined Area 4C/D/E according to its revised area specific biomass-based methodology. The IPHC considers Areas 4A, 4B, and 4C/D/E to each have a separate halibut population; no biological distinction occurs among the 4C, 4D, and 4E subareas. A complete description of the revisions to the Area 4 CSP, catch limit apportionments, and geographical description of each subarea was published in

the *Federal Register* on January 12, 1998 (63 FR 1812). These modifications were approved March 17, 1998 (63 FR 13000).

Since its implementation in 1998, the CSP framework has been applied to the annual combined Area 4C/D/4E quota established by the IPHC (Table 1.4). A direct allocation of 80,000 lb is made to Area 4E in the revised CSP when the Area 4C-E catch limit is greater than 1,657,600 lb. The purpose was to provide CDQ fishermen in Area 4E with additional harvesting opportunity.

Table 1.4 Catch Sharing Plan for Area 4CDE.

Area	Percent of Area 4 CEY
Area 4C	Area 4C-E CEY - 80,000 + 46.43%
Area 4D	Area 4C-E CEY - 80,000 + 46.43%
Area 4E	80,000 + 7.14%

The entire Area 4E catch limit is assigned to the CDQ reserve and subsequently allocated to qualifying CDQ groups. The remainder of the combined catch limit is allocated: 46.43 percent to both Areas 4C and 4D and 7.14 percent to Area 4E.

In 1999, CDQ groups that received Area 4D quota expressed a desire to increase the amount of halibut CDQ that could be harvested in their locally-based inshore halibut fishery by being allowed to harvest Area 4D halibut CDQ in Area 4E. All four of these groups represent communities along the western Alaska coast, ranging from Bristol Bay (south) to the Bering Strait (north). Almost all of the 56 communities represented by these groups are adjacent to Area 4E: only two are in Area 4D. In 1999, these groups approached the IPHC and Council to request a change in regulations to harvest halibut CDQ allocated to Area 4D in Area 4E. The IPHC had no objection to the request because it considers the halibut in Areas 4C, 4D, and 4E to be a single stock unit.

That same year, the Council recommended that halibut CDQ issued in Area 4D be harvested in Area 4E. In January 2002, the IPHC formally concurred with the Council's recommendation because it considers the halibut in Areas 4C, 4D, and 4E to be a single stock unit. The justification for the action was that residents of communities represented by the two groups with only Area 4D halibut CDQ (NSEDC and YDFDA) must travel extended distances offshore to harvest Area 4D halibut CDQ or the quota must be harvested by large, non-local vessels. The fishery operated for three years under an enforcement waiver, as if the recommendation was in effect, while the rule was under development. In 2000, the waiver allowed a permeable boundary between the two areas. In 2001, the Council recommended and the enforcement waiver was revised to allow only a one-way permeable boundary which allowed Area 4D harvest to occur in Area 4E. In 2003, the CSP in the regulations were formally amended by the Secretary to implement the one-way allowance [68 FR 9902, March 3, 2003]. The final rule for the annual management measures for 2004 Pacific halibut fisheries states, ". . . the total allowable catch of halibut that may be taken in the Area 4E directed commercial fishery is equal to the combined annual catch limits specified for the Area 4D and Area 4E Community Development Quotas. The annual Area 4D CDQ catch limit will decrease by the equivalent amount of halibut CDQ taken in Area 4E in excess of the annual Area 4E CDQ catch limit."

Halibut IFQ harvest performance

Under the regulations established for the halibut IFQ program, the quota that is annually established for each area by the IPHC is divided among qualified halibut quota share holders after allocations to the CDQ program. Between 1995 and 2004, the annual halibut IFQ allocation ranged from 1,848,000 to 3,928,000 lb in Area 4B, 385,000 to 1,015,000 lb in Area 4C, and 231,000 to 609,000 lb in Area 4D (Table 1.5) There is no IFQ allocation to Area 4E. While this action does not affect harvesters or quota in Area 4B, data for that area is presented to compare the relatively low harvests in Area 4C.

Table 1.5. Historical halibut IFQ allocations (net lb) and percent harvest, 1995-2004 (Source: NMFS RAM).

Year	Area 4B			Area 4C			Area 4D		
	Landings	Allocation	Harvest	Landings	Allocation	Harvest	Landings	Allocation	Harvest
1995	87	1,848,000	68%	129	385,000	78%	30	539,000	80%
1996	82	1,848,000	89%	137	385,000	77%	37	539,000	90%
1997	119	2,784,000	92%	155	580,000	87%	37	812,000	93%
1998	71	2,800,000	74%	93	795,000	60%	24	1,113,000	76%
1999	120	3,184,000	87%	159	1,015,000	76%	36	1,421,000	92%
2000	176	3,928,000	92%	153	1,015,000	72%	42	1,421,000	97%
2001	193	3,928,000	90%	156	1,015,000	71%	38	1,421,000	96%
2002	176	3,344,000	96%	100	1,015,000	48%	45	1,421,000	96%
2003	151	3,344,000	90%	58	1,015,000	42%	37	1,421,000	100%
2004	NA	2,248,000	NA	NA	860,000	NA	NA	1,204,000	NA

Compared with a statewide average of 97 percent, Area 4C fishermen landed only 42 percent of their halibut IFQ allocations in 2003. This also compares with 90 percent success rate in Area 4B and 100 percent, in Area 4D. Success rates have varied since 1995, although Area 4C has had consistently lower success rates than adjacent fishing areas even across years when IFQ allocations have remained constant. The number of vessel landings has declined from 159 in 1999 to 58 in 2003 under a stable annual quota of over 1 M lb. The number of vessel landings has remained stable (between 36-45) over the same period under a stable quota of 1.4 M lb. Average vessel landing size in the Area 4C IFQ fishery was 7,350 lb, compared with over 38,000 lb in Area 4D.

Halibut CDQ harvest performance

Under the regulations established for the halibut IFQ and CDQ programs, the catch limit of halibut that is annually established for each area by the IPHC is divided among qualified halibut quota share holders in both programs. Between 1995 and 2004, the annual halibut CDQ reserve ranged from 385,000 to 1,015,000 lb in Area 4C (equal to the IFQ allocation under the 50:50 split) and 231,000 to 609,000 lb in Area 4D (30 percent allocation to the CDQ program) (Table 1.6).

The halibut CDQ reserves are divided among eligible CDQ communities in accordance with Community Development Plans (CDP) submitted by CDQ groups and approved by the Secretary (Table 1.7). All six CDQ groups have received halibut CDQ allocations in Areas 4C and 4D since 1995. Past and current allocations recommended by the State of Alaska and approved by the Secretary have allocated Area 4C halibut CDQ to only two groups, APICDA and CBSFA. For 2003-2005, APICDA holds 15 percent (for its sole Area 4C community of St. George) and CBSFA holds 85 percent (for St. Paul, its only community) of annual allocations of Area 4C halibut CDQ. The Area 4C CDQ halibut allocation is substantial at approximately 1 million lb. The only change in the halibut CDQ allocations between 2000-2002 and 2003-2005 was for Area 4C. In 2001 and 2002, CBSFA (representing St. Paul) was allocated 90 percent of the halibut 4C allocation and APICDA (representing St. George) was allocated 10 percent. For 2003-2005, the State recommended a 5 percent increase in the area 4C halibut CDQ allocation to APICDA, because of the success that St. George fishermen had in harvesting APICDA's 4C allocation, and the demonstrated need for more halibut quota. The State did not comment on the effects of the reallocation to St. Paul. Those allocations are currently in effect.

Allocations of Area 4D halibut CDQ has been awarded to the remaining four CDQ groups. BBEDC holds 26 percent, CVRF holds 24 percent, NSEDC holds 30 percent, and YDFA holds 20 percent of annual allocations of Area 4D CDQs. BBEDC also holds 30 percent and CVRF holds 70 percent of annual allocations of Area 4E halibut, which has a one-way permeable boundary that allows Area 4D halibut CDQ to be harvested in Area 4E to enhance fishing opportunities for Area 4E participants. NSEDC and YDFA have received only Area 4D halibut CDQ: residents of communities represented by these two groups (with the exception of two of NSEDC's communities) must travel extended distances offshore to harvest Area 4D halibut CDQ or the quota must be harvested by large, non-local vessels.

CDQ groups have experienced varying degrees of success in harvesting the Area 4C halibut CDQ reserves. The highest number of vessels in the smallest vessel class (less than or equal to 35 feet length overall) was 4 in 2002. Approximately 23 small boats harvested Area 4C halibut CDQ in 2003, down from 31 in 2000. The proportion of halibut CDQ caught by small vessels and larger vessels in Areas 4C from 2000-2003 is shown in Table 1.8, where it can be reported (vessel lengths are combined due to confidentiality of data).

The average size of individual halibut CDQ landings in Areas 4C correlates to the size of vessel most frequently used in each area. In Area 4C, the average CDQ landing in Area 4C was less than 1,000 lb in 2003. The pattern of landing locations for Area 4C is shown in Table 1.9. Area 4C halibut CDQ landings have occurred almost exclusively in St. Paul (91 percent), with the remainder in St. George.

Table 1.6. Historical halibut CDQ landings (numbers), allocations (pounds), and harvests (percent) for 1995-2004 (Source: NMFS RAM).

Year	Area 4B			Area 4C			Area 4D			Area 4E		
	Landings	Allocation	Harvest									
1995	11	462,000	86	376	385,000	101	115	231,000	109	383	120,000	105
1996	370	462,000	92	294	385,000	100	248	231,000	99	526	120,000	101
1997	251	696,000	100	393	580,000	102	129	348,000	100	1,357	260,000	99
1998	215	700,000	100	548	795,000	99	79	477,000	98	834	320,000	60
1999	186	796,000	91	688	1,015,000	100	26	609,000	99	1,293	390,000	70
2000	116	836,000	100	635	1,015,000	100	12	609,000	65	1,517	390,000	142
2001 ¹	156	982,000	88	636	1,015,000	99	1,850		999,000		92	
2002	116	836,000	100	635	1,015,000	70	12	609,000	65	1,517	390,000	142
2003	79	836,000	98	459	1,015,000	45	13	609,000	80	1,305	390,000	105
2004	NA	562,000	NA	NA	860,000	NA	NA	516,000	NA	NA	345,000	NA

Table 1.7. CDQ reserve apportionments (percent) by groups receiving halibut CDQ for 1998-2000, 2001-02, 2003-05 allocation cycles (Source: DCED).

	APICDA			BBEDC			CBSFA			CVRF			NSEDC			YDFDA		
	98 -00	01 -02	03 - 05	98 -00	01 -02	03 - 05	98 -00	01 -02	03 - 05	98 -00	01 -02	03 - 05	98 -00	01 -02	03 - 05	98 -00	01 -02	03 - 05
4B	100	100	100															
4C	10	10	15				90	90	85									
4D				23	26	26				24	24	24	26	30	30	27	20	20
4E				30	30	30				70	70	70						

¹In 2001, an enforcement action allowed Area 4D and 4E CDQ to be harvested in either area. Starting in 2002, harvests of 4D CDQ can occur in Area 4E, but harvests of Area 4E CDQ can not be harvested in Area 4D

Table 1.8. Proportion of halibut CDQ harvested by small and large vessels, 2000-2003.

Area	Year	Total harvest (lb)	Vessels ≤ 35 ft	Harvest by vessels ≤ 35 ft	Vessels > 35 ft	Harvest by vessels > 35 ft
4C	2000	1,014,775	31	conf.	2	conf.
	2001	1,008,113	30	conf.	2	conf.
	2002	708,608	27	conf.	2	conf.
	2003	461,181	23	conf.	2	conf.

* Harvests for vessels 35 - 60 ft are confidential

Table 1.9. Halibut Area 4C CDQ landings (in 000's) by port (grouped by management area in which port is located) (Source: RAM)

Community	Area	Area 4C									Total	%
		95	96	97	98	99	00	01	02	03		
Anchorage	3A				1						1	0
Homer	3A									8	8	0
St. George	4C	23	27	53	74	101	101	84	97		560	9
St. Paul	4C	365	358	533	714	912	913	924	612	426	5,757	91
Whittier	3A				1						1	0
Total		388	385	586	790	1,013	1,014	1,008	709	434	6,327	100

Values based on fewer than 3 vessels are confidential; Some vessels did not have an LOA and are excluded.

1.4 Alternatives Considered

Alternative 1. No action.

Participants in IFQ and CDQ halibut fisheries are issued halibut allocations in a particular regulatory area and are prohibited from harvesting that allocation in another regulatory area (50 CFR 679.42(a)). Under Alternative 1, no action would be taken to allow area 4C halibut IFQ or CDQ to be taken in Area 4D.

Alternative 2. Allow holders of Area 4C IFQ and CDQ to harvest such IFQ/CDQ in Area 4D.
At the end of the third year after implementation, this action, if adopted will be evaluated.

Alternative 2 would allow Area 4C halibut IFQ and CDQ to be harvested in Area 4D and be counted against the Area 4C allocations.

1.5 Expected Effects of the Alternatives

Alternative 1 Taking no action would maintain the Council's earlier policy decision on appropriate allocations of halibut IFQ and CDQ allocations. That decision occurred in 1998, when the Council identified that the historical apportionment of catch limits among Subareas 4C-E was important to achieve the socioeconomic objectives of the IFQ and CDQ programs. It revised the CSP to apply an annual framework to the IPHC Subarea 4C, 4D, and 4E catch limit. After a direct allocation of 80,000 lb of halibut to Subarea 4E, the remainder of the Subarea 4C, 4D, and 4E halibut quota is allocated: 46.43 percent to each of Subareas 4C and 4D and 7.14 percent to Subarea 4E. In 2001, the Council blurred the boundary between Subareas 4D and 4E when it allowed a CDQ group with an allocation of Area 4D halibut CDQ to harvest all or part of that allocation in Area 4E to provide CDQ fishermen in Area 4E with additional halibut CDQ harvesting opportunities closer to the coast. The Area 4C-E allocative framework remains unchanged.

Alternative 1, though, would not address the economic hardships experienced by Area 4C QS holders (both CDQ groups and IFQ participants) who were unable to harvest even half of their respective halibut allocations in 2003, and always less than 100 percent of its CDQ and IFQ allocations. Area 4C halibut allocations are split evenly between IFQ and CDQ participants. For the two CDQ groups with Area 4C halibut CDQ (CBSFA and APICDA) and an existing fleet of small boat CDQ and IFQ fishermen, taking no action would not allow Area 4C harvesters to catch their full allocations.

Alternative 1, however, would maintain the harvesting opportunities for local IFQ and CDQ and leased CDQ vessels that have historically fished halibut and the processors that have historically taken deliveries of such halibut in the area for which the IFQs and CDQs are issued. The ability to increase offshore leasing of CDQ allocations may impede the goals of some of the CDQ groups to increase the number of local fishermen in these fisheries and to land those harvests at locally owned plants.

The alternatives also directly affect the owners of approximately 24 vessels that harvested halibut CDQ in Area 4C in 2003. The alternatives could affect the revenues associated with harvesting halibut IFQs by 63 Area 4C QS holders. They may also affect shoreside processors or registered buyers that received halibut CDQ landings from Area 4C in 2003.

In their quarterly reports, the CDQ groups discuss development of additional halibut fishing opportunities for residents of their communities. Such progress includes increasing employment on vessels, as captains and crew, providing loans for the purchase of halibut QS, increasing local halibut fishing efforts rather than leasing the QS to outside vessels. The success of individual CDQ groups in harvesting the historical halibut CDQ allocations is provided in Appendix 3.

APICDA reported that St. George fishermen fished from late June to mid-August in 2003. The local fleet experienced a very poor season due to bad weather and lack of halibut in the traditional areas. The local fleet harvested less than 30,000 lb of its 152,250 lb CDQ halibut allocation (Table 1.10). The St. George Fishermen's Association leased out a portion of the remaining quota. The F/V Zenith harvested approximately 8,000 lb of the quota (from APICDA 2004).

Table 1.10 APICDA Halibut CDQ Harvests in 2003

Area	Units	Annual Allocation	2 nd Qtr	3 rd Qtr	4 th Qtr	YTD Harvest	Percent Harvested	Remaining Allocation
4B	lb	836,000	122,564	546,283	153,040	821,887	98%	14,113
4C	lb	152,250	7,143	23,784	7,877	38,804	25%	113,446

BBEDC has transferred additional quota from Area 4D into Area 4E to accommodate the harvest needs of an expanding local halibut fleet during the past three years. The halibut CDQ fishery opening date for the Area 4E halibut season is May 15, with a closing date of no later than July 31. One hundred percent of Area 4E halibut CDQ was harvested in 2003 (Table 1.11). As an example of the increasing harvesting capabilities, the Bristol Bay fleet caught approximately 162 percent of the 2002 harvest total in one week in 2003. For many Bristol Bay fishermen without salmon limited entry permits, halibut is becoming a mainstay fishery: in Togiak, for example, local fishermen were able to pay off their preseason debt accumulated during the gearing up for the 2003 halibut season. The community also formed a halibut cooperative as a means to achieve higher ex-vessel prices (from BBEDC 2004).

Table 1.11 BBEDC CDQ Halibut Harvests in 2003

Area	Units	Annual Allocation	2 nd Qtr	3 rd Qtr	4 th Qtr	YTD Harvest	Percent Harvested	Remaining Allocation
4D	lb	158,070		111,377	-	111,377	71%	46,693
4E	lb	117,000	156,993	6,691	-	163,624	140%	- 46,624

CBSFA halibut CDQ harvesting activities begin in June 2003. All vessels are below 60 feet. The 2003 CBSFA Area 4C CDQ harvest consisted of 48.8 percent of the area allocation (Table 1.12). Summer 2003 was a challenging one for all vessels fishing for halibut in Area 4C. Although the halibut were not present at past levels the ex-vessel price paid to the CDQ fishermen by CBSFA's Halibut Cooperative surpassed prices offered to CDQ fishermen in past year. Over 100 positions/people were employed, and wages in excess of \$1 M accrued to the local economies as a result of 2003 CDQ halibut fisheries. This comprised 83 percent of all CDQ wages accruing to CBSFA (from CBSFA 2004).

Table 1.12 CBSFA Halibut CDQ Harvests in 2003

Area	Units	Annual Allocation	2 nd Qtr	3 rd Qtr	4 th Qtr	YTD Harvest	Percent Harvested	Remaining Allocation
4C	lb	862,750	141,632	279,990		420,622	49%	442,128

During the 2003 halibut CDQ season, the *F/V Ocean Harvester* and *F/V Middle Pass* harvested all 146,160 lbs of CVRF's Area 4D halibut allocation in 2003. CVRF resident fishermen caught 175,225 lb of the group's Area 4E CDQ allocation (Table 1.13). All fish were delivered to and processed by CVRF region shoreside plants. Salmon and halibut CDQ employment contributed 20 positions with a total of \$195,000 in wages to the local economies.

Table 1.13 CVRF Halibut CDQ Harvests in 2003

Area	Units	Annual Allocation	2 nd Qtr	3 rd Qtr	4 th Qtr	YTD Harvest	Percent Harvested	Remaining Allocation
4D	lb	146,160		146,160		146,160	100%	
4E	lb	273,000	85,900	89,355		175,255	64%	97,745

NSEDC harvested 98,903 lb of CDQ halibut in Area 4D during the fourth quarter working with local fishermen and the *F/V Shemya*. Seven local fishermen harvested and delivered 7,278 lb of CDQ halibut to the Norton Sound Seafood Center in Nome in ten deliveries between October 4 and October 15. The *Shemya* harvested 91,625 lb in three trips and deliveries during the month of October in a clean-up fishery after the local fishery concluded operations. This clean-up fishery generated about \$112,000 in CDQ royalty payments to NSEDC. For the year, NSEDC harvested 176,598 lb of CDQ halibut leaving only 6,102 lb of annual halibut quota not harvested. The local fishermen harvested and delivered to the Norton Sound Seafood Center a total of 72,027 lb, while the *Glacier Bay* harvested 12,946 lb. The product was primarily processed in Nome and sold as fresh headed and gutted fish. NSEDC considers its halibut harvest activity to be confidential, and is not reported here. YDFDA's *F/V Lisa Marie* fished for halibut, sablefish and king crab with up to 5 residents aboard. It has concentrated on both YDFDA CDQ and IFQ halibut.

Through the Community Development Quota (CDQ) program, the Council and NMFS allocate a portion of the halibut quota to 65 eligible Western Alaska communities. These communities work through six non-profit CDQ Groups to use the proceeds from the CDQ allocations to start or support commercial fishery activities that will result in ongoing, regionally based, commercial fishery or related businesses. The halibut CDQ program began in 1995, as part of the halibut IFQ Program. Halibut royalties for all CDQ groups totaled 1% of all CDQ royalties in 2002 (from DCED 2003). Total halibut royalties totaled approximately \$464,000 (DCED 2003). More information on the CDQ groups is provided in Section 1.3.

Alternative 2 Alternative 2 would allow Area 4C QS holders to harvest IFQs/CDQs in Area 4D. One CDQ group that receives halibut allocations in Area 4C has expressed a desire to have greater opportunities to develop their locally-based inshore fisheries and to attain the economic benefits associated with their halibut allocations by being allowed to harvest their Area 4C halibut CDQ in Area 4D. The CDQ group approached the IPHC staff, which stated that they would raise no objections to the proposed action. In a letter dated November 26, 2003 from Dr. Bruce Leaman to Phillip Lestenkof, CBSFA President, Dr. Leaman wrote,

“From a biological perspective, the Commission does not regard Area 4C as an independent production unit and we do not believe that recruitment to the area is governed primarily by events in Area 4C. However, fishing effort in this area can impact available yield if the rate of removals exceeds the rate of replenishment through recruitment and other movements of adult fish.

The CSP assigns approximately 46% of the entire catch limit for the Areas 4C/D/E unit to Area 4C, even though Area 4C contains only about 5% of the total bottom or fishing ground area of the 4C/D/E unit. When the removals in Area 4C were about 700,000 lbs and the total removals for Areas 4C/D/E were about 1.6 M lb, the replenishment to Area 4C was probably enough to keep up with removals. Now that we have removals in Area 4C of 2.03 M lb and those from Area 4C/D/E at 4.45 M lb, then these replenishment rates do not appear to be sufficient to offset local removals in Area 4C. The larger numbers of older fish in Area 4D relative to Area 4C also indicates slow mixing of fish in these areas.”

In a similar action, the IPHC was petitioned to allow Area 4D CDQ halibut to be harvested in Area 4E at its annual meeting in January 1999. The IPHC stated:

“The Commission has no objection to this request because it assesses the halibut in Areas 4C, 4D, and 4E as a single unit. As such, the removal data from the three areas are combined in the assessment. We note that there may be administrative issues for the Council to consider and forward this request for your consideration. However, the Commission does stipulate that the correct area of capture for halibut must be identified on landing and reporting records.”

The halibut fisheries in Area 4C benefit residents of the two communities in two ways. First, local fishermen benefit directly from the catch and sale of Area 4C halibut without payments of royalties to CDQ groups. Since the inception of the halibut CDQ program in 1995, CDQ groups have fostered the development of the Area 4C near shore halibut fisheries by providing a variety of management expertise, fishery training, vessel and gear loans, shoreside buying and processing infrastructure, and marketing expertise in support of local fishermen. The harvest of halibut CDQ and IFQ by local fishermen using their own boats results in direct payments to such participants in these fisheries. Local residents benefit more from local fisheries, but CDQ groups benefit more when the quota is leased. CDQ groups prefer local fisheries despite the lower income.

Any increase in the overall utilization of Area 4C halibut CDQ should result in a corresponding increase in direct payments to area residents, proportional to the amount caught by each of these sectors, since neither CDQ group leases its CDQ. Since utilization is expected to increase, Alternative 2 is expected to result in increased utilization of Area 4C QS with accompanying economic benefits.

In 2003, the Area 4C halibut CDQ and IFQ allocations of 1,015,000 lbs. in each fishery was valued at over \$3 M, using a fleet-wide ex-vessel value of approximately \$3.00/lb. Only 45 percent of the CDQ allocation was harvested, with a value of approximately \$1.4 M. Only 42 percent of the IFQ allocation was harvested in 2003 with an ex-vessel value of \$1.3 M. For that year, CDQ and IFQ fishers in St. Paul and St. George could have harvested additional halibut with an ex-vessel value over \$3.3 M, had they been able to take their full allocation. The estimated ex-vessel value of \$3.3 M represents the upper limit of halibut that could have been harvested, since it cannot be assumed that the entire catch allocation would have been taken even in the absence of Area 4C limitations.

Redistributing fishing effort associated with harvesting Area 4C halibut IFQ and CDQ to Area 4D could result in adverse impacts to the four CDQ groups with historical allocations of Area 4D halibut CDQ and their associated fishing fleets and IFQ participants due to increased competition for the resource in local waters.

It is unknown to what degree Area 4C IFQ halibut fishery participants would choose to fish their halibut allocations in Area 4D under Alternative 2. However, CDQ groups treat both types of QS the same operationally. CDQ groups and IFQ holders from Area 4C would prefer to harvest all their QS (of either type, allocated to either area) by the local St. Paul and St. George fishing fleets because of fuel and other economic efficiencies of using the local fleet and enhancing employment opportunities for local fishermen. The first choice would be to harvest as much halibut as possible in local Area 4C waters. The second would be to fish in Area 4D.

APICDA may use one or both of its St. George-based 35 ft boats or its larger (58 ft) company-owned boat to harvest Area 4D halibut IFQ (it does not own any Area 4C IFQ), since the local skiff fleet (18-26 ft) are too small to travel to Area 4D for safety reasons. Perhaps three local St. Paul vessels between 35 and 60 ft would harvest some of its Area 4C halibut CDQ allocation in Area 4D. Remaining Area 4C halibut CDQ is expected to be harvested by the local small boat fleet. Some small vessel owners may upgrade to larger vessels to also make trips to Area 4D. Two APICDA-owned vessels that are approximately 36 ft are expected to harvest some of its Area 4C halibut CDQ in Area 4D.

Alternative 2 is expected to have a positive impact on the two CDQ groups who hold Area 4C halibut CDQ and IFQ allocations (CBSFA and APICDA) and their associated fishermen and community residents, along

with independent IFQ holders, many of whom also participate in the halibut CDQ fisheries. Alternative 2 may have a negative effect on the remaining four CDQ groups (BBEDC, CVRF, NSEDC, and YDFDA) who received Area 4D halibut CDQs but none in Area 4C, and IFQ holders because additional fishing effort would be shifted Area 4D. This alternative could have an unfavorable effect on both small vessels that have typically fished for halibut CDQ in Area 4C as well as on processors that have historically taken deliveries of halibut CDQ caught in Area 4C, if the amount of halibut CDQ available to them decreases.

As pointed out by the Scientific and Statistical Committee of the NPFMC at the October, 2004 meeting, there are likely to be cross effects between alternatives in Action 2 and Action 6 in the IFQ omnibus. Action 6 would allow class D QS in IPHC Areas 3A and 4 to be fished on class C or class B vessels, primarily as a safety issue. However, Action 6, if approved, would have the potential to increase the efficiency of the Area 4C IFQ QS fishermen by allowing them to extend the length of their fishing operations. There is no information available to evaluate the respective effects of the alternatives proposed in Action 2 and Action 6. Both are anticipated to have positive benefits to IFQ QS fishermen currently operating in Area 4C and to the economy of the region. Action 6 is limited to the IFQ fishery whereas Action 2 encompasses both the IFQ and CDQ fisheries. Public comments on the proposed actions have suggested that both are needed to relieve the current problems in the fishery.

1.6 Administrative, Enforcement and Information Costs

NOAA Restricted Access Management staff reports on how the QS accounts would be balanced under Alternative 2. RAM would report harvests from actual harvest area, and would show balances remaining in Area 4C for the amount of fish caught in Area 4D and an apparent deficit in Area 4D for Area 4C fish harvested there. QS managers would have to monitor up to three “virtual allocations” to balance their accounts.

QS holdings in:	Can be harvested in:	Computation
Area 4C QS only.	Area 4C or 4D.	Actual harvest in Area 4C is OK, but harvest in Area 4D leaves “underage” in Area 4C and “overage” in Area 4D. Ensure total harvest does not exceed allocation: $(4C + 4D \text{ landings}) \leq (4C + 4D \text{ allocation})$.
Area 4D QS only.	Area 4D.	None.
Area 4C and 4D QS.	Area 4C QS may be harvested from either Area 4C or 4D. Area 4D QS may be harvested only from 4D.	QS holder/manager must make 3 computations: 1. ensure total harvest is within the sum of allocations: $(4C + 4D \text{ landings}) \leq (4C + 4D \text{ allocation})$; 2. ensure that 4D was not caught in 4C: $(4C \text{ landings}) \leq (4C \text{ allocation})$; and 3. ensure that 4D landings stay within the total allowed for both areas, less any catch already made in Area 4C: $(4D \text{ landings}) \leq [(4C+4D \text{ allocations}) - (4C \text{ landings})]$.

In a similar one-way allowance to “perforate” the Area 4DE boundary, which was implemented in 2003, there is no requirement for the CDQ groups to submit documents requesting transfers of halibut CDQ between Areas 4D and 4E. NMFS monitors each CDQ group’s halibut CDQ catch in Areas 4D and 4E. If the catch in Area 4E exceeds the group’s initial allocation for Area 4E, then NMFS automatically subtracts this excess catch from the group’s Area 4D allocation. This amount is no longer available for harvest in Area 4D. Halibut CDQ catch from Area 4D also will be subtracted from each group’s Area 4D allocation. This

procedure allows each CDQ group to decide where to catch its Area 4D halibut CDQ allocation without requiring transfers. Each CDQ group is required to monitor the harvest of Area 4D and 4E halibut CDQ to ensure that:

- its total catch in Area 4D does not exceed its Area 4D allocation, minus any portion of its Area 4D quota harvested in Area 4E,
- its total catch in Area 4E does not exceed the sum of its Area 4D and Area 4E allocations, minus any portion of its Area 4D allocation harvested in Area 4D, and
- its total catch in Areas 4D and 4E does not exceed the sum of its Area 4D and Area 4E allocations.

A similar approach is recommended for implementation under Alternative 2.

Alternative 2 should not result in new administrative costs as a result of implementation. The IPHC indicated that Area 4C is not managed as an independent production unit under the status quo and that would not change if Alternative 2 were implemented. New administrative costs for NOAA Restricted Access Management should also be negligible.

1.7 Conclusions

Table 1.14 summarizes the net benefits of the alternatives. Alternative 2 best meets the objectives of the proposed action. The proposed action is believed to not have the potential to result in a “significant” action, as defined under E.O. 12866, since neither action would be expected to have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, local or tribal governments or communities; create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive Order.

Table 1.14. Summary of the cost and benefit analysis of Action 1.

	Alternative 1	Alternative 2 Allow Area 4C halibut QS to be harvested in Area 4D.
Impacts to the resource	None	Shifting some fishing effort from Area 4C to Area 4D may help to prevent localized depletions within Area 4C.

	Alternative 1	Alternative 2 Allow Area 4C halibut QS to be harvested in Area 4D.
Benefits	No change in benefits.	<p>This alternative may result in increased benefits by encouraging greater utilization of Area 4C halibut allocations. Allowing 4C IFQ and CDQ QS holders to harvest in both Areas 4C and 4D may reverse the declining harvest trend shown in Tables 1.5 and 1.6. In 2003, the ex-vessel value of unharvested portion of the Area 4C allocation was approximately \$3.3 M, representing the upper limit of potential direct benefits to Area 4C fishermen. While this amount is far short of the level of significance under EO 12866, it would have a very beneficial effect on net revenues of 4C QS holders and regional economic activity.</p> <p>IFQ and CDQ QS holders may benefit from decreased operating costs due to increased harvest rates under Alternative 2. Their net revenues may also increase since the fixed vessel operating costs would be spread over a larger number of pounds harvested.</p> <p>Fisheries-related employment is also are expected to increase from any increased harvest over the status quo.</p> <p>Economic impacts (e.g., increasing employment and developing local fishing fleets) are likely to be higher if QS is harvested by local Area 4C fishermen in the larger area than if continued to be restricted to Area 4C and leased to CDQ-owned or non-CDQ vessels.</p>
Costs	No change in costs.	<p>Redistributing fishing effort from 4C to 4D may have an adverse impact on IFQ and CDQ QS fishermen in Area 4D. The extent to which Area 4C effort would shift is not known, therefore the potential impacts to 4D IFQ and CDQ fishermen are also unknown.</p> <p>Increases to fishery management costs are anticipated to be negligible.</p>
Net benefits	No change in net benefits.	Net benefits are expected to increase.
Action objectives	Does not address issue of lost revenues.	Would meet the objectives of the proposed action better than Alternative 1.
E.O. 12866 significance	Does not appear to be significant.	Does not appear to be significant.

2.0 Initial Regulatory Flexibility Analysis

2.1 Introduction

This Initial Regulatory Flexibility Analysis (IRFA) evaluates alternative regulatory actions that would change the way the annual harvest specifications are determined for the groundfish fisheries managed by the Federal government in the GOA and the BSAI. This IRFA examines the impacts of the alternative actions on small fishing entities, and meets the statutory requirements of the Regulatory Flexibility Act (RFA) of 1980, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601-612).

2.2 The purpose of an IRFA

The Regulatory Flexibility Act (RFA), first enacted in 1980, was designed to place the burden on the government to review all regulations to ensure that, while accomplishing their intended purposes, they do not unduly inhibit the ability of small entities to compete. The RFA recognizes that the size of a business, unit of government, or nonprofit organization frequently has a bearing on its ability to comply with a Federal regulation. Major goals of the RFA are: (1) to increase agency awareness and understanding of the impact of their regulations on small business, (2) to require that agencies communicate and explain their findings to the public, and (3) to encourage agencies to use flexibility and to provide regulatory relief to small entities. The RFA emphasizes predicting impacts on small entities as a group distinct from other entities and on the consideration of alternatives that may minimize the impacts while still achieving the stated objective of the action.

On March 29, 1996, President Clinton signed the Small Business Regulatory Enforcement Fairness Act. Among other things, the new law amended the RFA to allow judicial review of an agency's compliance with the RFA. The 1996 amendments also updated the requirements for a final regulatory flexibility analysis, including a description of the steps an agency must take to minimize the significant economic impact on small entities. Finally, the 1996 amendments expanded the authority of the Chief Counsel for Advocacy of the Small Business Administration (SBA) to file *amicus* briefs in court proceedings involving an agency's violation of the RFA.

In determining the scope, or 'universe', of the entities to be considered in an IRFA, NMFS generally includes only those entities that can reasonably be expected to be directly regulated by the proposed action. If the effects of the rule fall primarily on a distinct segment, or portion thereof, of the industry (e.g., user group, gear type, geographic area), that segment would be considered the universe for the purpose of this analysis. NMFS interprets the intent of the RFA to address negative economic impacts, not beneficial impacts, and thus such a focus exists in analyses that are designed to address RFA compliance.

Data on cost structure, affiliation, and operational procedures and strategies in the fishing sectors subject to the proposed regulatory action are insufficient, at present, to permit preparation of a "factual basis" upon which to certify that the preferred alternative does not have the potential to result in "significant adverse impacts on a substantial number of small entities" (as those terms are defined under RFA). Because, based on all available information, it is not possible to 'certify' this outcome, should the proposed action be adopted, a formal IRFA has been prepared and is included in this package for Secretarial review.

2.3 What is required in an IRFA?

Under 5 U.S.C., Section 603(b) of the RFA, each IRFA is required to contain:

- A description of the reasons why action by the agency is being considered;
- A succinct statement of the objectives of, and the legal basis for, the proposed rule;

- A description of and, where feasible, an estimate of the number of small entities to which the proposed rule will apply (including a profile of the industry divided into industry segments, if appropriate);
- A description of the projected reporting, record keeping and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record;
- An identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap or conflict with the proposed rule;
- A description of any significant alternatives to the proposed rule that accomplish the stated objectives of the proposed action, consistent with applicable statutes, and that would minimize any significant economic impact of the proposed rule on small entities. Consistent with the stated objectives of applicable statutes, the analysis shall discuss significant alternatives, such as:
 1. The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities;
 2. The clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities;
 3. The use of performance rather than design standards;
 4. An exemption from coverage of the rule, or any part thereof, for such small entities.

2.4 What is a small entity?

The RFA recognizes and defines three kinds of small entities: (1) small businesses, (2) small non-profit organizations, and (3) and small government jurisdictions.

Small businesses. Section 601(3) of the RFA defines a ‘small business’ as having the same meaning as ‘small business concern’ which is defined under Section 3 of the Small Business Act. ‘Small business’ or ‘small business concern’ includes any firm that is independently owned and operated and not dominant in its field of operation. The SBA has further defined a “small business concern” as one “organized for profit, with a place of business located in the United States, and which operates primarily within the United States or which makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor...A small business concern may be in the legal form of an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust or cooperative, except that where the firm is a joint venture there can be no more than 49 percent participation by foreign business entities in the joint venture.”

The SBA has established size criteria for all major industry sectors in the United States, including fish harvesting and fish processing businesses. A business involved in fish harvesting is a small business if it is independently owned and operated and not dominant in its field of operation (including its affiliates) and if it has combined annual receipts not in excess of \$3.5 million for all its affiliated operations worldwide. A seafood processor is a small business if it is independently owned and operated, not dominant in its field of operation, and employs 500 or fewer persons on a full-time, part-time, temporary, or other basis, at all its affiliated operations worldwide. A business involved in both the harvesting and processing of seafood products is a small business if it meets the \$3.5 million criterion for fish harvesting operations. Finally a wholesale business servicing the fishing industry is a small businesses if it employs 100 or fewer persons on a full-time, part-time, temporary, or other basis, at all its affiliated operations worldwide.

The SBA has established “principles of affiliation” to determine whether a business concern is “independently owned and operated.” In general, business concerns are affiliates of each other when one concern controls or has the power to control the other, or a third party controls or has the power to control both. The SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists. Individuals or firms that have identical or substantially identical business or economic interests, such as family members, persons with common

investments, or firms that are economically dependent through contractual or other relationships, are treated as one party with such interests aggregated when measuring the size of the concern in question. The SBA counts the receipts or employees of the concern whose size is at issue and those of all its domestic and foreign affiliates, regardless of whether the affiliates are organized for profit, in determining the concern's size. However, business concerns owned and controlled by Indian Tribes, Alaska Regional or Village Corporations organized pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601), Native Hawaiian Organizations, or Community Development Corporations authorized by 42 U.S.C. 9805 are not considered affiliates of such entities, or with other concerns owned by these entities solely because of their common ownership.

Affiliation may be based on stock ownership when (1) A person is an affiliate of a concern if the person owns or controls, or has the power to control 50 percent or more of its voting stock, or a block of stock which affords control because it is large compared to other outstanding blocks of stock, or (2) If two or more persons each owns, controls or has the power to control less than 50 percent of the voting stock of a concern, with minority holdings that are equal or approximately equal in size, but the aggregate of these minority holdings is large as compared with any other stock holding, each such person is presumed to be an affiliate of the concern.

Affiliation may be based on common management or joint venture arrangements. Affiliation arises where one or more officers, directors or general partners controls the board of directors and/or the management of another concern. Parties to a joint venture also may be affiliates. A contractor and subcontractor are treated as joint venturers if the ostensible subcontractor will perform primary and vital requirements of a contract or if the prime contractor is unusually reliant upon the ostensible subcontractor. All requirements of the contract are considered in reviewing such relationship, including contract management, technical responsibilities, and the percentage of subcontracted work.

Small organizations The RFA defines "small organizations" as any not-for-profit enterprise that is independently owned and operated and is not dominant in its field.

Small governmental jurisdictions The RFA defines small governmental jurisdictions as governments of cities, counties, towns, townships, villages, school districts, or special districts with populations of less than 50,000.

2.5 What is this action?

The management alternatives are:

No action and to allow holders of Area 4C IFQ and CDQ to harvest such IFQ/CDQ in Area 4D, with review after the third year of implementation.

2.6 Reason for considering the proposed action

The reasons for the proposed action are discussed in detail in Section 1.1 of this IR/IRFA. In brief, the status quo limits the opportunities of Area 4C QS holders to harvest their halibut allocations. Alternative 2 would allow an exception for Area 4C to the rule that requires all QS to be harvested in the area to which it is assigned.

2.7 Objectives of, and legal basis for, the proposed action

The objective of the proposed action are discussed in Section 1.1 of this RIR/IRFA. In summary, the objective of the proposed action is to increase opportunities of Area 4C QS holders to harvest their halibut allocations.

The legal basis for the proposed action was discussed in Section 1.0 of this RIR/IRFA and in Section 5.3. In summary, the National Marine Fisheries Service manages the North Pacific halibut fisheries of the Bering Sea in the Exclusive Economic Zone under the authority of the North Pacific Halibut Management Act. Regulations implement the halibut fishery at §50 CFR 300.60 through 300.65. The annual Pacific halibut management measures for 2004 are published in the *Federal Register* on February 27, 2004 at 69 FR 9231.

2.8 Number and description of small entities affected by the proposed action

What are the regulated entities? This action remove a regulatory requirement that QS may ne harvested in the IPHC regulatory area to which it is assigned. The entities regulated by this action are those entities that harvest halibut in Areas 4C and 4D. These entities include the six CDQ groups, and the halibut longline catcher vessels and catcher/processor vessels in these areas whose owners or hired captains hold halibut QS/IFQ or are contracted by CDQ groups which hold QS/CDQ .

Number of small regulated entities

The alternatives addressed in this analysis may directly affect all six CDQ groups, which represent 65 western Alaska communities with a total 2000 population of over 27,000, which receive halibut CDQ in halibut Areas 4C and 63 persons who hold more than 4 million QS units in Area 4C in 2004 (Table 1.15).

Area #	A	B	C	D	Unique
units	18,876	1,620,607	867,827	1,509,042	4,016,352

There are 23 Category D vessels fishing halibut IFQs in Area 4C. Some have expressed interest in purchasing larger vessels to fish their category D QS (as proposed in a separate regulatory action). Others may hire Category C or B vessels to fish their QS because of bad weather and safety reason (CBSFA letter to Chris Oliver, dated December 13, 2003). The halibut fleet in Area 4C is more numerous and more diverse in size than in Area 4D, which is comprised of mostly larger vessels.

Two CDQ groups hold Area 4C QS/CDQ. Table 1.16 lists the population for each of the CDQ groups. People in these communities benefit from the halibut CDQ and IFQ fisheries both directly and indirectly. Some residents earn income from participating in the CDQ fishery, either by harvesting or processing halibut. The resident fishermen who harvest halibut CDQs also hold halibut IFQs and are listed in Table 1.15.

Description of small regulated entities Tables 1.15 and 1.16 provides a description of the IFQ fishery participants. The annual NMFS Report to the Fleet (NMFS 2003) provides more detail on the fleet. In 2002, 24 unique vessels made IFQ halibut landings in Area 4C. Section 1.3 provides information on the Area 4C CDQ halibut fishery.

NMFS annually publishes “standard prices” for halibut and sablefish that are estimates of the ex-vessel prices received by IFQ fishermen for their harvests. NMFS uses these prices for calculating permit holder cost recovery fee liabilities. In 2003, these price data suggest that the price of halibut might have been about \$2.92 per pound of halibut (headed and gutted weight) and \$2.36 per pound of sablefish (round weight) (68 FR 71036). In combination, these harvest limits and prices imply maximum vessel revenues of about \$1,684,325 for halibut and sablefish taken together. Thus, no vessel subject to these restrictions could have been used to land more than \$3,000,000 worth of halibut and sablefish combined in 2003 (the maximum gross revenue threshold for a “small” catcher vessel, established under RFA rules). Therefore all halibut and sablefish vessels may be assumed to be small entities, for purposes of the IRFA. These estimates are likely to overestimate the numbers of small entities since they do not take account of income that might have been earned by the vessel in other fisheries or activities, and they do not take account of vessel affiliations. NMFS has defined all halibut and sablefish vessels as small businesses, for the purpose of this analysis.

2.9 Impacts on regulated small entities

Alternatives that increase the level of harvest from the halibut fisheries would have a positive impact on the cash flow and profitability for small entities. It is not possible to estimate the magnitudes of these impacts.

2.10 Recordkeeping and reporting requirements

The IRFA should include “a description of the projected reporting, record keeping and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record...”

This regulation does not impose new recordkeeping or reporting requirements on the regulated small entities.

2.11 Federal rules that may duplicate, overlap, or conflict with proposed action

An IRFA should include “An identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap or conflict with the proposed rule...”

This analysis did not reveal any Federal rules that duplicate, overlap or conflict with the proposed action.

2.12 Conclusion

The alternatives have been described in detail in Section 1.4 of this RIR/IRFA. Neither is expected to result in adverse impacts on directly regulated small entities.

	CDQ Group Populations		% by CDQ Group	
	1990	2000		
NSEDC	7,702	8,488	32.3%	31.4%
CVRF	6,484	7,855	27.2%	29.0%
BBEDC	5,224	5,932	21.9%	21.9%
YDFDA	2,638	3,123	11.1%	11.5%
APICDA	1,012	1,143	4.2%	4.2%
CBSFA	763	532	3.2%	2.0%
	25,813	27,073	100.0%	100.0%

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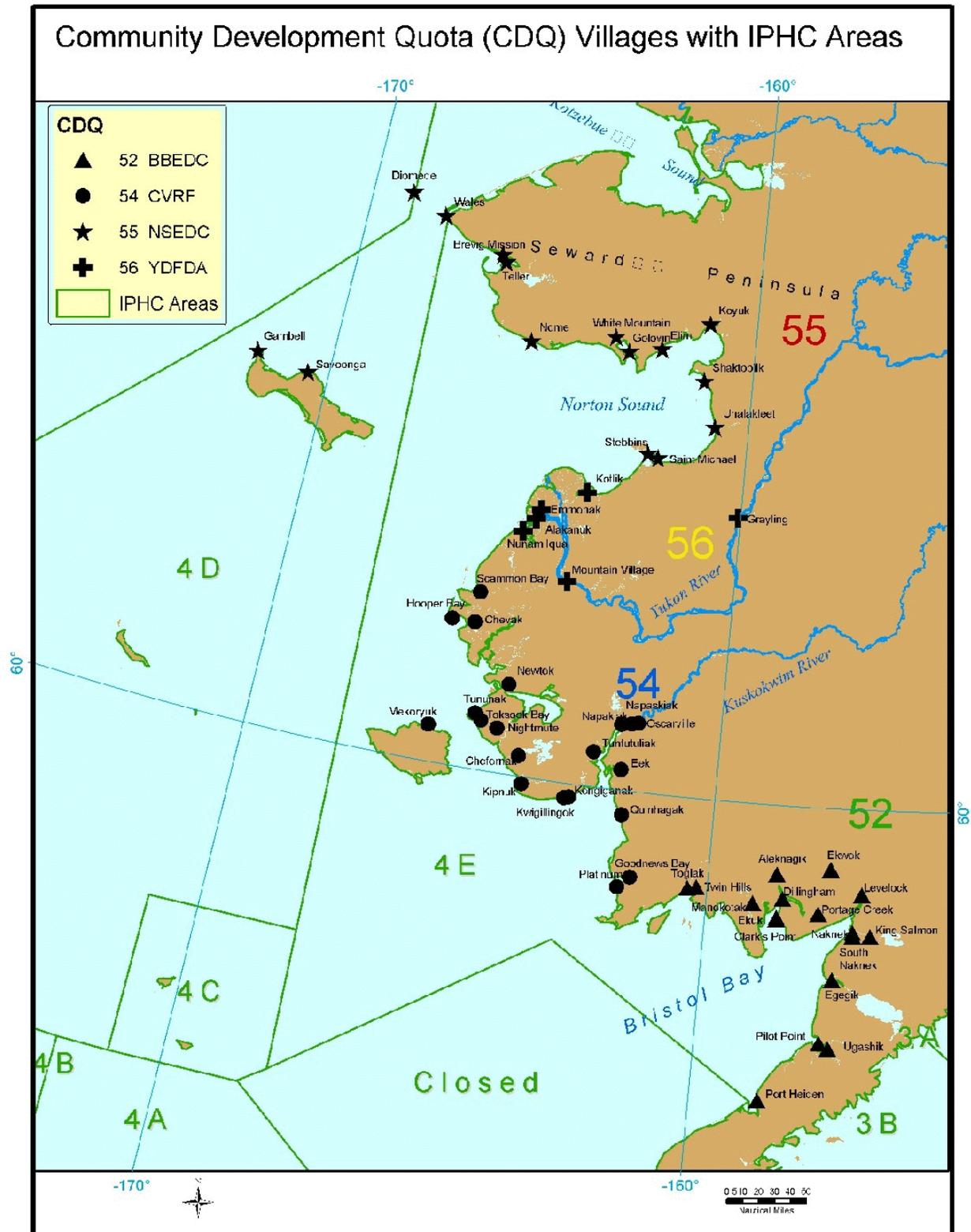
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Scientific and Statistical Committee
Advisory Panel

Appendix 1. 2000 U.S. Census data for the six CDQ groups

APICDA (6)	Pop.	CBSFA (1)	Pop.	NSEDC (15)	Pop.
Akutan	713	Saint Paul	532	Brevig Mission	276
Atka	92			Diomedede	146
False Pass	64	CVRF (20)	Pop.	Elim	313
Nelson Lagoon	83	Chefornak	394	Gambell	649
Nikolski	39	Chevak	765	Golovin	144
Saint George	152	Eek	280	Koyuk	297
TOTAL	1,143	Goodnews Bay	230	Nome	3,505
		Hooper Bay	1,014	Saint Michael	368
BBEDC (17)	Pop.	Kipnuk	644	Savoonga	643
Aleknagik	221	Kongiganak	359	Shaktoolik	230
Clark's Point	75	Kwigillingok	338	Stebbins	547
Dillingham	2,466	Mekoryuk	210	Teller	268
Egegik	116	Napakiak	353	Unalakleet	747
Ekuk	2	Napaskiak	390	Wales	152
Ekwok	130	Newtok	321	White Mountain	203
King Salmon	442	Nightmute	208	TOTAL	8,488
Levelok	122	Oscarville	61		
Manokotak	399	Platinum	41	YDFDA (6)	Pop.
Naknek	678	Quinhagak	555	Alakanuk	652
Pilot Point	100	Scammon Bay	465	Emmonak	767
Port Heiden	119	Toksook Bay	532	Grayling	94
Portage Creek	36	Tuntutuliak	370	Kotlik	591
South Naknek	137	Tununak	325	Mountain Village	755
Togiak	809	TOTAL	7,855	Nunam Iqua	164
Twin Hills	69			TOTAL	3,123
Ugashik	11				
TOTAL	5,932			Total Population of 65 CDQ Communities = 27,073	

Appendix 2. Location of CDQ communities.



Appendix 3. Halibut CDQ harvests by CDQ group

APICDA HALIBUT CDQ HARVESTS 1995-2002					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4B	100%	460,000	399,522	86.9%
1996	4B	100%	462,000	425,318	92.1%
1997	4B	100%	696,000	651,629	93.6%
1998	4B	100%	700,000	669,436	95.6%
	4C	10%	79,500	75,951	95.5%
1999	4B	100%	796,000	723,654	90.9%
	4C	10%	101,500	100,667	99.2%
2000	4B	100%	982,000	937,481	95.5%
	4C	10%	101,500	100,665	99.2%
2001	4B	100%	982,000	937,481	95.5%
	4C	10%	101,500	101,453	100.0%
2002	4B	100%	836,000	832,013	99.5%
	4C	10%	101,500	97,014	95.6%

BBEDC HALIBUT CDQ HARVESTS 1995-2002					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4D/4E	23% / 30%	89,130	87,553	98.2%
1996	4D/4E	23% / 30%	89,130	87,426	98.1%
1997	4D/4E	23% / 30%	158,040	156,460	99.0%
1998	4D/4E	23% / 30%	205,710	175,109	85.1%
1999	4D/4E	23% / 30%	257,070	211,525	82.3%
2000	4D/4E	23% / 30%	257,070	253,037	98.4%
2001	4D/4E	26% / 30%	275,340	247,615	89.9%
2002	4D/4E	26% / 30%	275,340	257,246	93.4%

PIF/CBSFA HALIBUT HARVESTS 1995-2000					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4C	100%	385,000	388,076	100.8%
1996	4C	100%	385,000	384,585	99.9%
1997	4C	100%	580,000	578,260	99.7%
1998	4C	100%	715,000	713,404	99.8%
1999	4C	100%	913,500	912,204	99.9%
2000	4C	100%	913,500	913,322	100.0%
2001	4C	90%	913,500	910,931	99.7%
2002	4C	90%	913,500	613,157	67.1%

CVRF HALIBUT CDQ HARVESTS 1995-2002					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4D/4E	24% / 70%	139,440	145,440	104.3%
1996	4D/4E	24% / 70%	139,440	142,610	102.3%
1997	4D/4E	24% / 70%	265,520	265,765	100.1%
1998	4D/4E	24% / 70%	338,480	236,635	69.9%
1999	4D/4E	24% / 70%	419,160	343,233	81.9%
2000	4D/4E	24% / 70%	419,160	418,385	99.8%
2001	4D/4E	24% / 70%	419,160	414,050	98.8%
2002	4D/4E	24% / 70%	419,160	387,067	92.3%

NSEDH HALIBUT HARVESTS 1995-2002					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4D	20%	46,200	45,747	99.0%
1996	4D	20%	46,200	46,194	100.0%
1997	4D	20%	69,600	69,509	99.9%
1998	4D	26%	124,020	117,470	94.7%
1999	4D	26%	158,340	156,968	99.1%
2000	4D	26%	158,340	90,357	57.1%
2001	4D	30%	182,700	138,949	76.1%
2002	4D	30%	182,752	75,043	41.1%

YDFDA HALIBUT CDQ HARVESTS 1995-2002					
Year	Area	Allocation Percentage	Allocation in Lb	Amount Harvested	Percent Harvested
1995	4D	20%	76,230	75,697	99.3%
1996	4D	20%	76,230	74,437	97.6%
1997	4D	20%	114,840	114,840	100.0%
1998	4D	27%	128,790	131,395	102.0%
1999	4D	27%	164,430	163,942	99.7%
2000	4D	27%	164,430	164,430	100.0%
2001	4D	24%	121,800	121,800	100.0%
2002	4D	24%	276,124	191,802	69.5%